

Testimony of Jerry Newby
House Committee on Agriculture Field Hearing
Auburn, Alabama

February 7, 2006

Good Morning, Mr. Chairman and members of the House Agriculture Committee. I appreciate this opportunity to testify before the committee today on the farm bill. I also want to say how proud I am of our three Alabama Congressmen serving on this committee, Congressman Terry Everett, Congressman Jo Bonner and Congressman Mike Rogers, and how much we appreciate their service.

My name is Jerry Newby.....

I am a farmer. I am a partner in a diversified family farm. We are a row crop, cattle and timber operation.

I am also President of the Alabama Farmers Federation, an affiliate of the American Farm Bureau. We have over 460,000 members. We represent all farmers in the state, with 17 different grassroots organized divisions of commodities grown in Alabama, and have producer leaders in all 67 counties.

First of all, I want to thank this Committee and its leadership for holding these hearings. It is important that the Committees in both the House and Senate seek input from producers as to what is working in the 2002 farm bill and what isn't working and hear our needs for the 2007 farm bill.

As a general farm organization, we do not feel that the farm bill should be substantially changed when it is reauthorized in 2007. The safety net that is in place now should continue to be there so that our farmers can continue to produce the most affordable, dependable and safest food in the world. Having the ability to produce this nation's food is a matter of national security, and we only have to look at the situation with our oil to see what happens when we depend upon others for what we need.

The Department of Agriculture has stated that net farm income has fallen from \$82.5 billion in 2004 to \$71.5 billion in 2005. Total crop revenues from cash and government payments to producers have risen from \$28 billion in 2003 to \$138.6 billion in 2005. This shows that while farm income is down due to increased inputs and lower market prices, farmers are getting more of their income from the farm bill. This proves that without the safety net of the farm bill, our agriculture economy would collapse.

Every year we as farmers are told that budget cuts require reopening the farm bill. This causes a great hardship to farmers and their lenders. We in agriculture understand about budgeting and have always been willing to accept our fair share. But, we think that agriculture has paid more than its fair share in these budget cuts, especially the commodity and conservation programs. We just ask that cuts in the federal budget be done across the board equally. This farm bill has cost less than what was originally projected by the Congressional Budget Office when it was enacted in 2002, and we feel that we should get the credit for that as well as preserving our baseline funding when the farm bill is reauthorized in 2007.

I am aware that the World Trade Organization (WTO) negotiations are currently underway, and I understand they have a deadline of April to wrap things up. If WTO negotiations do not proceed as scheduled, the 2002 farm bill should be extended, as is, until those negotiations are concluded. If we write the new farm bill before conclusion of the WTO negotiations, we will lose a lot of bargaining chips in the negotiations. U. S. agriculture would be shortchanged again. It would

Jerry A. Newby
February 7, 2006
Page Two

be a lose-lose situation. I am pleased that this Committee and the Senate Agriculture Committee have been in constant contact with our trade negotiators, and I hope you will continue to stress the importance of having our domestic farm program classified as non-trade distorting.

Updated bases, which were part of the 2002 farm bill, should continue to be allowed to be updated for the next farm bill. Many growers seeking profitability have taken advantage of the continued flexibility in the current farm bill, and production has shifted in many grower areas. For example, peanut production has now expanded to southwest Alabama from the traditional wiregrass area in Southeast Alabama. These growers and peanut shellers have new infrastructure in place, and bases should be updated to reflect those shifts.

Growers are very happy with the new peanut program and it should be continued. It has expanded to over 30 counties in Alabama and has given producers the flexibility to rotate their crops, thereby increasing their yields and reducing the risk of pest and plant disease.

There should be no further payment limitation decreases. Alabama ranks third in peanut production and ninth in cotton production. Southern crops grown in Alabama like cotton and peanuts demand higher input costs from our farmers; therefore, there is more risk than for commodities grown in other parts of the country. Any further payment cuts would make these crops unprofitable, causing producers to go out of business or switch to other commodities, thereby increasing government cost because of increased production in those other crops.

There is continued concern over the expansion of Conservation Reserve Program land in Alabama that has led to the decrease in workable farmland. The Farmers Federation does support the intent of CRP, but believes that much of the CRP land in Alabama for instance, is not marginally productive and, in fact, the program has removed too much productive land and put it out of the reach of farmers. The federal government's CRP rate in some areas has pushed the rental rates out of the reach of the average farmer. This has led to difficulty, particularly among our young farmers who are just getting started in obtaining productive land. The CRP should not act as a disincentive for young farmers and other producers.

In regards to crop insurance, we would like to see more pilot revenue assurance plans such as AGR (Adjusted Gross Revenue) and AGR-Lite, that are currently provided on a state-by-state basis to be increased on a national scale. AGR is a program that allows growers to protect their income and does not function as a traditional multi-peril crop insurance policy that only covers specific yields and crops. The AGR-Lite program, for instance, has several reforms that were just approved, such as increasing the amount of income that can be covered and allowing more crops to be covered. These insurance plans represent the best chance for farmers who are diversified and grow many types of crops and livestock to manage their risk. It should not be used in replacement of MPCI but rather as a supplement. In many cases in south Alabama, for instance, many farmers are very diversified and can't get adequate risk protection for all of their crops. Policies such as AGR-Lite are those that embody the "whole farm" concept and allow farmers and ranchers to cover their entire farming operation regardless of what they grow. This is also attractive to lenders, which is of utmost importance, since they know exactly how much revenue the farmer is guaranteed each year, and since it is based on five year income averages from federal tax forms reported to the IRS, there is significantly less chance of fraud involved.

If planting restrictions are removed for fruits and vegetables, these producers should be compensated just as other commodities. As you know, the recent WTO decision held that certain payments to farmers cannot be classified as non-trade distorting because of the farm bill prohibition that prevents the planting of fruits and vegetables on land that receives subsidies. This policy in the past has acted as a kind of "safety net" for those growers who do not receive traditional subsidies. However, some in agriculture have estimated that even a one percent

Jerry A. Newby
February 7, 2006
Page Three

increase in fruit and vegetable planting would mean a four percent decrease in prices, so any removal of this prohibition would increase the need for support for fruits and vegetables.

We support rural development initiatives, particularly those that support bio-energy. All farmers, including non-row crop producers such as nurserymen, livestock and poultry growers face huge increases in energy and input costs. I was pleased to see the President's State of the Union message stressed the use of animal and plant waste as an alternative fuel source, and I feel the use of renewable fuels represents a win-win for the American farmer and the environment. Specifically, Alabama ranks second in privately-owned timberland, and third in poultry production. Both wood and poultry litter could be utilized to deliver energy, if only there was adequate research in these areas to make the technology cost-effective.

The Tree Assistance Program (TAP) should be modified to include trees, shrubs, and vines that are themselves the crop. Currently those growers who only have trees that produce an annual crop are allowed to participate in TAP. Many of these growers, such as Christmas tree growers and container-shrub producers, are not allowed to be reimbursed for damage due to natural disasters such as hurricanes, while pecan and fruit tree growers are.

We strongly support the Seniors and Farmers Market Nutrition Program (SFNMP) and have a great one here in Alabama. This program should be continued and expanded to allow local honey producers to participate in the coupon redemption program for the SFNMP. Currently the statute only allows fruits and vegetables and herbs. Honey is a natural sweetener with health benefits, and allowing these producers to participate would further increase the goal of SFMNP of increasing the participation of small or limited-resource farmers.

The 2002 farm bill has not been perfect, but it is better than anything we have had in a while. For agriculture to continue to be successful in the U.S., solving the number one problem of profitability must continue to be the focus of the Agriculture Committee. The increase in energy, chemicals, fertilizer and other production costs, along with the uncertain future of the safety net and ongoing WTO negotiations, make future prospects for production agriculture seem very bleak. While the 2002 farm bill has in many cases enabled producers to continue to farm, it is clear that many farms continue to struggle with an uncertain future. I humbly request that you not lose your focus on the number one concern of all farmers – profitability.

JERRY A. NEWBY
PRESIDENT, ALABAMA FARMERS FEDERATION
Biographical Information

Business Address: P. O. Box 11000, Montgomery, Al 36191-0001
Business Phone: 334/613-4200

EXPERIENCE:

- Elected President of the Alabama Farmers Federation, December 1998
- President, CEO and Chairman of the Board, Alfa Insurance Companies
- Operates a diversified family farm in partnership with father, James; brother, Jimmy and 6 other family members. Produce cotton, soybeans, wheat, corn, cattle and timber.
- Chairman of the Board, Alfa Virginia Mutual Insurance Company
- Board of Directors, MidCountry Financial Corporation
- Board of Trustees, Samford University

WORK RELATED EXPERIENCE:

- Served as Vice President of Alabama Farmers Federation, 1992-1998
- Served as President, Limestone County Farmers Federation, 1981-1995
- District II Director, Alabama Farmers Federation 1986-1989
- Chairman, Federation's State Young Farmer Committee 1976-1977
- Former President, Tennessee Valley Quality Cotton Association
- Alabama Board of Agriculture & Industries 1990-1998
- Former Board Member and Officers of Southern Cotton Growers
- Former Member, Producer Steering Committee, National Cotton Council
- Past Board Member, Cotton, Inc.
- Southern Regional Economic Conference Participant 1995

EDUCATION:

- Athens State University, BS in Business Administration, 1972

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: JERRY A. NEWBY
Address: 20405 MOORESVILLE ROAD, ATHENS AL 35613
Telephone: 334/613-4200 (BUSINESS)
Organization you represent (if any): Alabama Farmers Federation

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

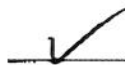
Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you:



Signature: Jerry A. Newby

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.